



LENAWEE INTERMEDIATE SCHOOL DISTRICT  
"Your Partner in Education for a Changing Tomorrow"

Adrian, Michigan

## FINANCIAL STATEMENTS

For the Year Ended June 30, 2008



**REHMANN ROBSON**

*Certified Public Accountants*

# LENAWEE INTERMEDIATE SCHOOL DISTRICT

For the Year Ended June 30, 2008

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# LENAWEE INTERMEDIATE SCHOOL DISTRICT

For the Year Ended June 30, 2008

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## **INDEPENDENT AUDITORS' REPORT**

November 6, 2008

Board of Education  
Lenawee County Intermediate School District  
Adrian, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Lenawee County Intermediate School District*** ("the District"), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Lenawee County Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lenawee County Intermediate School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General, Special Education and Vocational Education Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2008, on our consideration of Lenawee County Intermediate School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lenawee County Intermediate School District's basic financial statements. The combining and fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Lenawee County Intermediate School District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Lenawee County Intermediate School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **Management's Discussion and Analysis**

**LENAWEE INTERMEDIATE SCHOOL DISTRICT – ADRIAN, MICHIGAN**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The Management Discussion and Analysis, a requirement of GASB 34, is intended to be the Lenawee Intermediate School District administration's discussion and analysis of the financial results for the year ended June 30, 2008.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

**FINANCIAL HIGHLIGHTS**

The overall condition of all funds remains very strong for the District. The assets of Lenawee Intermediate School District exceeded its liabilities at the close of the most recent fiscal year by \$39.1 million (net assets). At the end of the current fiscal year, the aggregated fund balance for the District's General Fund, Special Education Fund and Career Technical Education Fund was \$13.5 million. The District's total governmental fund equity increased from \$20.1 million on June 30, 2007 to \$22.0 million as of June 30, 2008.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The statements and notes to those statements are organized so the reader can understand the District as a whole and then proceed to provide an increasingly detailed look at specific financial activities.

The fund financial statements report the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds. The Proprietary Funds statements present financial information about the activities of the District's internal service funds. The remaining Statement of Fiduciary Net Assets presents financial information about activities for which the School District acts solely as an agent for the benefit of students and employees.

The District's auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part of the Financial Section.

**REPORTING THE DISTRICT AS A WHOLE**

*The Statement of Net Assets and Statement of Activities* - One of the most important questions asked about the District's finances is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and Statement of Activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting similar to the accounting used by most private-sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Lenawee Intermediate School District's net assets, which is the difference between assets and liabilities, and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District's overall operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided, the safety of the schools, the property tax base, student enrollment growth, birth rates and facility conditions to assess the overall health of the School District.

*Fund Financial Statements* - The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. The School District's major governmental funds are the General Fund, the Special Education Fund, the Career Technical Education Fund, the Durant Debt Service and the Career Technical Education Capital Projects Fund. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

*Governmental Funds* - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds. Governmental funds also provide the balances left in each fund at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

*Proprietary Funds* - The School District's two proprietary funds use the same accrual method of accounting as the government-wide statements. Therefore, the proprietary statements are included in the governmental activities portion of the government-wide statements.

*Fiduciary Funds* - The District is the trustee, or fiduciary, for various student and staff group activities. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. These assets have been excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### **SUMMARY OF NET ASSETS**

The School District's net assets were \$39.2 million at June 30, 2008. Of this amount, \$4.1 million was unrestricted. Restricted net assets are reported separately because the School District is limited in their ability to use those net assets for day-to-day operations. The following summarizes the net assets at the fiscal years ended June 30, 2008 and 2007:

<i>GOVERNMENTAL ACTIVITIES</i>	<i>NET ASSETS JUNE 30, 2008 (IN MILLIONS)</i>	<i>NET ASSETS JUNE 30, 2007 (IN MILLIONS)</i>
Current Assets	\$29.3	\$28.0
Capital/Non-current Assets	16.5	17.8
Total Assets	\$45.8	\$45.8
Current Liabilities	5.4	6.0
Non-current Liabilities/Long-Term Debt	1.3	1.3
Total Liabilities	\$6.7	\$7.3
Net Assets		
Invested in Capital Assets	16.6	17.8
Restricted for construction/other purposes	18.5	16.6
Unrestricted	4.1	4.1
TOTAL NET ASSETS	\$39.2	\$38.5

The District is able to report positive balances in net assets for this year as well as last year. Net assets for the year ended June 30, 2008 increased by \$.7 million over the amount reported for the previous fiscal year. Total net assets for both years include \$1.0 million to properly recognize the District's Durant receivable. The Durant Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature fails to appropriate the funding required, the district is under no obligation for payment of the debt service.



**RESULTS OF OPERATIONS**

For the fiscal years ended June 30, 2008 and 2007, results of operations for the School District as a whole are reported in the Statement of Activities.

<i>GOVERNMENTAL ACTIVITIES</i>	<i>NET ASSET CHANGES F/Y/E JUNE 30, 2008 (IN MILLIONS)</i>	<i>NET ASSET CHANGES F/Y/E JUNE 30, 2007 (IN MILLIONS)</i>
REVENUES:		
Program Revenues	\$15,356,644	\$17,195,483
Local Assessments	25,510,663	23,825,651
Grants & State Aid	2,235,766	2,290,189
Other	432,559	198,113
Total Revenues	43,535,632	43,509,436
EXPENDITURES:		
Instructional	10,101,109	9,498,899
Supporting Services	18,572,346	17,977,491
Operation and Maintenance	5,593,988	3,532,624
Community Services	1,324,852	1,347,832
Interest on Long-term Debt	0	0
Depreciation	1,546,432	1,322,958
Payments to Other Governments	5,736,268	6,297,960
Total Expenditures	42,874,995	39,977,764
CHANGE IN NET ASSETS	\$660,637	\$3,531,672

**MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS**

The School District's budgets are prepared according to the Uniform Budget Act of the State of Michigan. The most significant budgeted funds are the General Fund, the Special Education Fund, the Career Technical Education Fund and the Career Technical Education Capital Projects Fund. The law requires the local Board of Education to approve the original budget for the upcoming fiscal year prior to July 1, the start of the new fiscal year. As a matter of practice, Lenawee Intermediate School District amended its budgets twice during the fiscal year ended June 30, 2008.

**GENERAL FUND**

The General Fund actual revenue plus other financing sources (uses) was \$6.5 million. The actual amount is less than the original budget of \$6.9 million and the final amended budget estimates of \$6.6 million. The variances between the final amended budget and the June 30, 2008 actual results were negligible.

The actual expenditures of the General Fund were \$6.1 million, which is lower than the original budget estimates of \$6.8 million and below the final amended budget of \$6.6 million. The \$0.2 million variance between the original and final budget was the result of changes in various programs. The \$0.5 million variance between the final amended budget and the June 30, 2008 actual results was due to lower than anticipated expenses in various programs, including M-ITV, LISD Technology Support and Other Business Services.

The General Fund year end fund balance increased \$.1 million from the previous year to \$3.6 million.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets* - At the end of fiscal year 2008, the School District had \$27,486,820 invested in land, buildings, furniture, equipment and vehicles. Of this amount, \$10,916,756 in depreciation has been taken over the years. Capital assets currently have a year-end net book value of \$16,570,064. Total acquisitions for the year were \$436,401; the majority of acquisitions were for furniture, equipment and vehicles.

***CAPITAL ASSETS******(Net of Depreciation)***

	<i>June 30, 2008</i>	<i>June 30, 2007</i>
Land	\$699,336	\$701,541
Site Improvements	2,803,859	2,977,756
Buildings and Additions	8,289,752	8,717,100
Furniture and Equipment	4,258,101	4,773,599
Vehicles	519,016	600,318
Construction In Progress	0	0
<b><i>TOTALS</i></b>	<b>\$16,570,064</b>	<b>\$17,770,314</b>

***DEBT***

The School District's total long-term liabilities increased by \$30,082 from the previous fiscal year. At June 30, 2008, the District had \$1.3 million in long-term liabilities of which \$1.0 million is for 1998 Durant School Improvement Bonds. Bond payments had been suspended for the years ended 2003, 2004 and 2005 and resumed in 2006. During the year ended June 30, 2008, the State of Michigan refinanced the 1998 Durant School Improvements and suspended repayment of the bonds again until 2009.

***GOVERNMENTAL ACTIVITIES******LONG-TERM LIABILITIES***

	<i>June 30, 2008</i>	<i>JUNE 30, 2007</i>
1998 Durant Bonds	\$1,025,762	\$1,025,762
Compensated Absences	281,604	251,522
<b><i>TOTALS</i></b>	<b>\$1,307,366</b>	<b>\$1,277,284</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The economy in the State of Michigan has slowed significantly over the last several years and some difficult choices to address declining funding sources have been made. Analysis and discussion of a downward trend in taxable value for all property subject to LISD's millage and possible mid-year pro-rations of State Aid dollars for Michigan Intermediate School Districts were considered during the 2008-2009 original budget projection process.

Employee retirement and health insurance fringe benefit costs have moderated a bit from the sharp percentage increases that transpired during the last several years. Michigan state law requires all employees of K-12 public school districts and intermediate school districts to participate in the Michigan Retirement System plan. The required employer contribution rate to the Michigan Public School Employees Retirement System (MPERS) decreased from 17.74% to 16.72% on October 1, 2007. The rate set for the MPERS year beginning October 1, 2008 is 16.54%. Employee health insurance premium costs are being partially offset by increased employee co-payment amounts. Choices between different health benefit packages are also being offered to try to reduce the district's overall premium costs. These factors were considered in preparing the Lenawee Intermediate School District's budgets for the 2008-2009 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the finances of the Lenawee Intermediate School District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Theresa E. Soto, CPA  
 Executive Director of Finance/Business Services  
 Lenawee Intermediate School District  
 4107 N. Adrian Highway  
 Adrian, MI 49221  
 Fax: (517) 265-7405, Phone (517) 265-1640  
 Or Email – [tsoto@lisd.us](mailto:tsoto@lisd.us)

## **Basic Financial Statements**

## **District-wide Financial Statements**

Lenawee Intermediate School District  
Statement of Net Assets  
June 30, 2008

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Cash and cash equivalents	\$ 15,055,754
Investments	8,763,598
Accounts receivable	5,168,182
Inventory	122,073
Prepaid expenses	186,060
Capital assets not being depreciated	699,336
Capital assets being depreciated, net	<u>15,870,728</u>
<b>Total assets</b>	<u>45,865,731</u>
<b>Liabilities</b>	
Accounts payable	2,542,582
Accrued payroll and related liabilities	2,313,886
Unearned revenue	525,563
Long-term debt:	
Due within one year	131,682
Due in more than one year	<u>1,175,684</u>
<b>Total liabilities</b>	<u>6,689,397</u>
<b>Net assets</b>	
Invested in capital assets	16,570,064
Restricted for:	
Construction projects	8,514,950
Other purposes	9,938,821
Unrestricted	<u>4,152,499</u>
<b>Total net assets</b>	<u><u>\$ 39,176,334</u></u>

The accompanying notes are an integral part of these financial statements.

Lenawee Intermediate School District  
Statement of Activities  
For the Year Ended June 30, 2008

Functions / Programs	Program Revenues			Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 10,101,109	\$ 327,787	\$ 942,280	\$ (8,831,042)
Supporting services	18,572,216	2,571,083	10,551,715	(5,449,418)
Operations and maintenance	5,593,988	317,419	35,190	(5,241,379)
Community services	1,324,852	156,193	424,092	(744,567)
Payments to other governments	5,736,268	30,885	-	(5,705,383)
Unallocated depreciation	1,546,432	-	-	(1,546,432)
Total governmental activities	<u>\$ 42,874,865</u>	<u>\$ 3,403,367</u>	<u>\$ 11,953,277</u>	<u>(27,518,221)</u>
General revenues:				
Property taxes				25,510,663
Grants and contributions not restricted to specific programs				2,235,766
Gain on sale of assets				292,166
Unrestricted investment earnings				<u>140,393</u>
Total general revenues				<u>28,178,988</u>
Change in net assets				660,767
Net assets, beginning of year				<u>38,515,567</u>
Net assets, end of year				<u>\$ 39,176,334</u>

The accompanying notes are an integral part of these financial statements.

## **Fund Financial Statements**

Lenawee Intermediate School District  
Balance Sheet  
Governmental Funds  
June 30, 2008

	<b>General</b>	<b>Special Education</b>	<b>Vocational Education</b>
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 2,918,322	\$ 2,276,767	\$ 3,037,996
Investments	944,721	2,525,940	3,180,920
Due from other funds	405,840	505,234	22,137
Accounts receivable	415,912	3,020,143	653,016
Inventory	9,786	110,246	2,041
Prepaid items	35,538	91,322	8,039
	<hr/>	<hr/>	<hr/>
Total assets	\$ 4,730,119	\$ 8,529,652	\$ 6,904,149
	<hr/>	<hr/>	<hr/>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 203,790	\$ 1,644,259	\$ 179,927
Accrued payroll and related liabilities	4,997	1,837,975	454,929
Due to other funds	501,306	408,486	771,060
Accrued compensated absences	1,559	10,922	3,056
Deferred revenue	426,036	104,022	80,344
	<hr/>	<hr/>	<hr/>
Total liabilities	1,137,688	4,005,664	1,489,316
	<hr/>	<hr/>	<hr/>
<b>Fund balances</b>			
Reserved for:			
Inventory	9,786	110,246	2,041
Prepaid items	35,538	91,322	8,039
Unreserved:			
Undesignated	3,547,107	4,322,420	5,404,753
Undesignated (deficit), reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	3,592,431	4,523,988	5,414,833
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 4,730,119</b>	<b>\$ 8,529,652</b>	<b>\$ 6,904,149</b>
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.



<b>Durant Debt Service</b>	<b>Vocational Education Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
\$ -	\$ 2,266,693	\$ 3,768,819	\$ 14,268,597
-	1,030,589	1,081,428	8,763,598
-	496,553	356,208	1,785,972
1,025,762	-	6,469	5,121,302
-	-	-	122,073
-	-	1,764	136,663
<hr/>			
\$ 1,025,762	\$ 3,793,835	\$ 5,214,688	\$ 30,198,205

\$ -	\$ 462,225	\$ 28,983	\$ 2,519,184
-	-	-	2,297,901
-	105	2,260	1,683,217
-	-	-	15,537
1,025,762	-	-	1,636,164

1,025,762	462,330	31,243	8,152,003
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-	-	-	122,073
-	-	1,764	136,663
-	3,331,505	-	16,605,785
-	-	(1,764)	(1,764)
-	-	5,183,445	5,183,445
<hr/>			
-	3,331,505	5,183,445	22,046,202
<hr/>			
\$ 1,025,762	\$ 3,793,835	\$ 5,214,688	\$ 30,198,205

Lenawee Intermediate School District  
Reconciliation of Fund Balances on the Balance Sheet  
for Governmental Funds to Net Assets of  
Governmental Activities on the Statement of Net Assets  
June 30, 2008

Fund balances - total governmental funds	\$ 22,046,202
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	27,486,820
Deduct: accumulated depreciation	(10,916,756)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred long-term Durant Settlement receivable	1,025,762
Add: deferred industrial facilities taxes receivable	184,504

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	657,168
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable	(1,025,762)
Deduct: compensated absences	(281,604)

Net assets of governmental activities	<u>\$ 39,176,334</u>
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The accompanying notes are an integral part of these financial statements.

Lenawee Intermediate School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2008

	<b>General</b>	<b>Special Education</b>
<b>Revenues</b>		
Local sources	\$ 1,314,893	\$ 16,629,299
Local district sources	501,077	64,905
State sources	1,281,388	7,090,732
Federal sources	376,705	3,859,260
	<hr/>	<hr/>
Total revenues	3,474,063	27,644,196
	<hr/>	<hr/>
<b>Expenditures</b>		
Instruction	195,375	5,585,411
Supporting services	4,593,992	12,173,210
Operations and maintenance	332,230	838,363
Community services	968,970	67,526
Payments to other governments	556	5,735,211
	<hr/>	<hr/>
Total expenditures	6,091,123	24,399,721
	<hr/>	<hr/>
Revenue over (under) expenditures	(2,617,060)	3,244,475
	<hr/>	<hr/>
<b>Other financing sources (uses)</b>		
Sale of capital assets	-	-
Transfers in	3,005,878	200,833
Transfers out	(287,036)	(2,829,771)
	<hr/>	<hr/>
Total other financing sources (uses)	2,718,842	(2,628,938)
	<hr/>	<hr/>
Net change in fund balances	101,782	615,537
	<hr/>	<hr/>
Fund balances, beginning of year	3,490,649	3,908,451
	<hr/>	<hr/>
<b>Fund balances, end of year</b>	<u>\$ 3,592,431</u>	<u>\$ 4,523,988</u>

The accompanying notes are an integral part of these financial statements.

<b>Vocational Education</b>	<b>Durant Debt Service</b>	<b>Vocational Education Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
\$ 10,766,620	\$ -	\$ 127,007	\$ 191,000	\$ 29,028,819
-	-	-	35,190	601,172
665,470	-	-	-	9,037,590
485,846	-	-	-	4,721,811
11,917,936	-	127,007	226,190	43,389,392
4,290,241	-	-	-	10,071,027
1,959,883	-	5,550	263,933	18,996,568
1,411,403	-	2,486,214	609,250	5,677,460
288,356	-	-	-	1,324,852
501	-	-	-	5,736,268
7,950,384	-	2,491,764	873,183	41,806,175
3,967,552	-	(2,364,757)	(646,993)	1,583,217
-	-	376,521	5,864	382,385
-	-	2,000,000	1,212,795	6,419,506
(3,302,699)	-	-	-	(6,419,506)
(3,302,699)	-	2,376,521	1,218,659	382,385
664,853	-	11,764	571,666	1,965,602
4,749,980	-	3,319,741	4,611,779	20,080,600
\$ 5,414,833	\$ -	\$ 3,331,505	\$ 5,183,445	\$ 22,046,202

**Lenawee Intermediate School District**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2008**

Net change in fund balances - total governmental funds	\$ 1,965,602
--	--------------

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	436,401
Deduct: depreciation expense	(1,546,432)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct: payments received on long-term Durant Settlement receivable	(173,722)
Add: industrial facilities taxes revenue not received	6,657

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: increase in the accrual for compensated absences	(30,082)
--	----------

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Add: net income from governmental activities accounted for in internal service funds	92,562
--	--------

Change in net assets of governmental activities	<u>\$ 660,767</u>
---	-------------------

The accompanying notes are an integral part of these financial statements.

Lenawee Intermediate School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
<b>Revenues</b>				
Local sources	\$ 1,352,612	\$ 1,337,162	\$ 1,314,893	\$ (22,269)
Local district sources	654,749	556,809	501,077	(55,732)
State sources	851,242	1,275,450	1,281,388	5,938
Federal sources	298,729	399,027	376,705	(22,322)
Total revenues	3,157,332	3,568,448	3,474,063	(94,385)
<b>Expenditures</b>				
Instruction	189,863	193,855	195,375	1,520
Supporting services	5,373,410	5,087,049	4,593,992	(493,057)
Operations and maintenance	336,158	375,915	332,230	(43,685)
Community services	913,755	985,662	968,970	(16,692)
Payments to other governments	-	-	556	556
Total expenditures	6,813,186	6,642,481	6,091,123	(551,358)
Revenue over (under) expenditures	(3,655,854)	(3,074,033)	(2,617,060)	456,973
<b>Other financing sources (uses)</b>				
Transfers in	3,724,945	3,024,287	3,005,878	18,409
Transfers out	(165,470)	(309,406)	(287,036)	(22,370)
Total other financing sources	3,559,475	2,714,881	2,718,842	(3,961)
Net change in fund balances	(96,379)	(359,152)	101,782	460,934
Fund balances, beginning of year	3,490,649	3,490,649	3,490,649	-
<b>Fund balances, end of year</b>	<u>\$ 3,394,270</u>	<u>\$ 3,131,497</u>	<u>\$ 3,592,431</u>	<u>\$ 460,934</u>

The accompanying notes are an integral part of these financial statements.

Lenawee Intermediate School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
Special Education Fund  
For the Year Ended June 30, 2008

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
<b>Revenues</b>				
Local sources	\$ 15,385,765	\$ 15,897,601	\$ 16,629,299	\$ 731,698
Local district sources	20,000	64,900	64,905	5
State sources	6,632,972	7,091,153	7,090,732	(421)
Federal sources	4,068,667	3,704,525	3,859,260	154,735
Total revenues	26,107,404	26,758,179	27,644,196	886,017
<b>Expenditures</b>				
Instruction	5,542,499	5,501,101	5,585,411	84,310
Supporting services	12,961,995	12,220,443	12,173,210	(47,233)
Operations and maintenance	808,743	915,274	838,363	(76,911)
Community services	62,366	73,017	67,526	(5,491)
Payments to other governments	4,292,782	5,286,595	5,735,211	448,616
Total expenditures	23,668,385	23,996,430	24,399,721	403,291
Revenue over expenditures	2,439,019	2,761,749	3,244,475	482,726
<b>Other financing sources (uses)</b>				
Transfers in	170,532	202,206	200,833	1,373
Transfers out	(2,775,594)	(2,849,570)	(2,829,771)	(19,799)
Total other financing sources (uses)	(2,605,062)	(2,647,364)	(2,628,938)	(18,426)
Net change in fund balances	(166,043)	114,385	615,537	501,152
Fund balances, beginning of year	3,908,451	3,908,451	3,908,451	-
<b>Fund balances, end of year</b>	<u>\$ 3,742,408</u>	<u>\$ 4,022,836</u>	<u>\$ 4,523,988</u>	<u>\$ 501,152</u>

The accompanying notes are an integral part of these financial statements.

Lenawee Intermediate School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual  
Vocational Education Fund  
For the Year Ended June 30, 2008

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
<b>Revenues</b>				
Local sources	\$ 10,208,663	\$ 10,583,683	\$ 10,766,620	\$ 182,937
State sources	655,153	664,040	665,470	1,430
Federal sources	457,847	453,637	485,846	32,209
Total revenues	11,321,663	11,701,360	11,917,936	216,576
<b>Expenditures</b>				
Instruction	3,824,801	4,212,681	4,290,241	77,560
Supporting services	2,658,347	2,123,820	1,959,883	(163,937)
Operations and maintenance	1,234,197	1,500,258	1,411,403	(88,855)
Community services	324,570	287,242	288,356	1,114
Payments to other governments	2,500	3,500	501	(2,999)
Total expenditures	8,044,415	8,127,501	7,950,384	(177,117)
Revenue over expenditures	3,277,248	3,573,859	3,967,552	393,693
<b>Other financing uses</b>				
Transfers out	(3,075,915)	(3,324,203)	(3,302,699)	(21,504)
Net change in fund balances	201,333	249,656	664,853	415,197
Fund balances, beginning of year	4,749,980	4,749,980	4,749,980	-
<b>Fund balances, end of year</b>	<b>\$ 4,951,313</b>	<b>\$ 4,999,636</b>	<b>\$ 5,414,833</b>	<b>\$ 415,197</b>

The accompanying notes are an integral part of these financial statements.



Lenawee Intermediate School District  
Statement of Net Assets  
Proprietary Funds  
June 30, 2008

	<b><u>Governmental Activities - Internal Service Funds</u></b>
<b>Assets</b>	
Cash and cash equivalents	\$ 787,157
Due from other funds	11,557
Accounts receivable	46,880
Prepaid expenses	<u>49,397</u>
Total assets	<u>894,991</u>
<b>Liabilities</b>	
Accounts payable	23,398
Accrued payroll and related liabilities	448
Due to other funds	114,312
Unearned revenue	<u>99,665</u>
Total liabilities	<u>237,823</u>
<b>Net assets</b>	
Unrestricted	<u><u>\$ 657,168</u></u>

The accompanying notes are an integral part of these financial statements.

Lenawee Intermediate School District  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2008

	<b><u>Governmental Activities - Internal Service Funds</u></b>
<b>Operating revenues</b>	
Charges for services	\$ 1,534,618
<b>Operating expenses</b>	
Supporting services	1,422,875
Operations and maintenance	25,646
Community services	14,674
	<hr/>
Total operating expenses	1,463,195
	<hr/>
Operating income	71,423
<b>Nonoperating revenue</b>	
Interest revenue	21,139
	<hr/>
Net income	92,562
Net assets, beginning of year	564,606
	<hr/>
<b>Net assets, end of year</b>	<u><u>\$ 657,168</u></u>

The accompanying notes are an integral part of these financial statements.

Lenawee Intermediate School District  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2008

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 1,449,917
Cash received from interfund services	148,499
Cash payments for goods and services	(1,359,797)
Cash payments to employees	(251,683)
	<hr/>
Net cash used in operating activities	(13,064)
	<hr/>
<b>Cash flows from investing activities</b>	
Interest received	21,139
	<hr/>
Net increase in cash and cash equivalents	8,075
	<hr/>
Cash and cash equivalents, beginning of year	779,082
	<hr/>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 787,157</u></u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities</b>	
Operating income	\$ 71,423
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Change in:	
Due from other funds	21,987
Accounts receivable	1,863
Prepaid expenses	(48,438)
Accounts payable	(99,978)
Accrued payroll and related liabilities	131
Due to other funds	18,652
Unearned revenue	21,296
	<hr/>
Net cash used in operating activities	<u><u>\$ (13,064)</u></u>

The accompanying notes are an integral part of these financial statements.

Lenawee Intermediate School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2008

	<b>Trust and Agency</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 29,799
Accounts receivable	<u>30,086</u>
Total assets	<u><u>59,885</u></u>
<b>Liabilities</b>	
Accounts payable	336
Due to student groups	<u>59,549</u>
Total liabilities	<u><u>\$ 59,885</u></u>

The accompanying notes are an integral part of these financial statements.

## **Notes to the Financial Statements**

# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

Lenawee Intermediate School District (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District. The District has no component units.

#### B. District-wide and fund financial statements

The District-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement focus, basis of accounting, and financial statement presentation

The District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

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Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes received and grant and interest revenue earned within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Special Education Fund* accounts for special education initiatives carried out by the District, which are primarily financed through restricted state aid and property taxes.

The *Vocational Education Fund* accounts for vocational education initiatives carried out by the District, which are primarily financed through restricted state aid and property taxes.

The *Durant Debt Service Fund* accounts for the retirement of the Durant Bonds, which are financed through restricted state aid payments.

The *Vocational Education Capital Projects Fund* accounts for financial resources to be used for the acquisition, construction or improvement of capital facilities for vocational education.

Additionally, the District reports the following fund types:

The *food service special revenue fund* accounts for the activities of the food service operation

*Capital projects funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities, major remodeling and improvements.

The *agency fund* accounts for assets held for other groups and organizations and is custodial in nature.

# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

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*Internal service funds* are used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the District-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, liabilities and equity**

#### **1. *Deposits and investments***

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value based on quoted market prices.

#### **2. *Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

#### **3. *Inventories and prepaids***

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the general and special revenue funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories in the fund financial statements are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **4. *Capital assets***

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.



# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Furniture and equipment	5-15
Transportation equipment	8

### 5. *Compensated absences*

*Sick Pay* – The District’s sick pay and personal leave policies allow for accumulation of up to a certain number of days depending on the employee group involved. Upon termination of employment, all accumulated sick and personal days are forfeited. It is the District’s policy to recognize the cost of such leave at the time payments are made.

The liability for compensated absences reported in the District-wide financial statements consists of unpaid, accumulated vacation days. The liability has been calculated for employees who currently are eligible to receive termination payments. The amount reported is salary related and includes no fringe benefits.

### 6. *Long-term obligations*

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

### 7. *Fund balance*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

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### II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary information

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. All annual appropriations lapse at fiscal year end. The budgets for the General and special revenue funds are adopted on a functional basis. Any budgetary modifications may only be made by resolution of the Board of Education.

#### B. Excess of expenditures over appropriations

Budget to actual comparisons for the General Fund and each major Special Revenue Fund are presented in the fund financial statements at the legal level of budgetary control.

	<u>Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
General Fund:			
Instruction	\$ 193,855	\$ 195,375	\$ 1,520
Payments to other governments	-	556	556
Special Education:			
Instruction	5,501,101	5,585,411	84,310
Payments to other governments	5,286,595	5,735,211	448,616
Vocational Education:			
Instruction	4,212,681	4,290,241	77,560
Community Services	287,242	288,356	1,114

# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

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### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Assets and Liabilities follows:

##### Statement of Net Assets

Cash and cash equivalents	\$ 15,055,754
Investments	8,763,598

##### Statement of Fiduciary Assets and Liabilities

Cash and cash equivalents	<u>29,799</u>
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**\$ 23,849,151**

Cash on hand	\$ 1,750
Bank deposits (checking accounts, savings accounts and CDs)	13,317,395
Investments:	
Governmental liquid asset funds	8,759,038
Government agencies	<u>1,770,968</u>

**\$ 23,849,151**

#### Statutory Authority

State statutes authorize the District to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit insured by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. At June 30, 2007, the District had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Money market and cash management accounts	n/a	\$ 5,581,276	n/a
Comerica J Fund	n/a	3,137,509	n/a
Michigan Liquid Asset Fund	n/a	40,253	S&P – AAAm
U.S. Agencies:			
Federal Home Loan Mortgage	5-10 years	745,525	S&P – AAA
Federal Home Loan Mortgage	> 10 years	787,476	S&P – AAA
Federal National Mortgage Assoc.	> 10 years	<u>237,967</u>	S&P – AAA
		<u><b>\$10,530,006</b></u>	

### Investment and deposit risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates are identified above for investments held at year end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$14,408,366 of the District's bank balance of \$14,608,366 was exposed to custodial credit risk because it was uninsured and uncollateralized.

# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. None of the above investments are exposed to custodial credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

### B. Receivables

Receivables as of year end for the District's individual major funds and nonmajor funds in the aggregate, are as follows:

	General Fund	Special Education	Vocational Education	Durant Debt Service	Nonmajor Funds	Internal Service Funds	Total	Amount Not Expected to be Collected Within One Year
Accounts receivable	\$ 409,416	\$ 2,916,121	\$ 579,031	\$ 1,025,762	\$ 6,469	\$ 46,880	\$ 4,983,679	\$ 929,080
Taxes receivable	6,496	104,022	73,985	-	-	-	184,503	-
<b>Total</b>	<b>\$ 415,912</b>	<b>\$ 3,020,143</b>	<b>\$ 653,016</b>	<b>\$ 1,025,762</b>	<b>\$ 6,469</b>	<b>\$ 46,880</b>	<b>\$ 5,168,182</b>	<b>\$ 929,080</b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund	\$ 6,496	\$ 419,540
Special Revenue Funds:		
Special Education	104,022	-
Vocation Education	73,986	6,359
Durant Debt Service Fund	1,025,762	-
Internal Service Fund	-	99,664
	<u><b>\$ 1,210,266</b></u>	<u><b>\$ 525,563</b></u>

# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

### C. Capital assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 701,541	\$ -	\$ (2,205)	\$ 699,336
<b>Capital assets being depreciated:</b>				
Site improvements	3,477,937	-	-	3,477,937
Building and improvements	13,832,017	-	(195,966)	13,636,051
Furniture and equipment	7,523,777	352,929	(5,304)	7,871,402
Vehicles	1,718,622	83,472	-	1,802,094
<b>Total capital assets being depreciated</b>	<b>26,552,353</b>	<b>436,401</b>	<b>(201,270)</b>	<b>26,787,484</b>
<b>Less accumulated depreciation for:</b>				
Site improvements	(500,181)	(173,897)	-	(674,078)
Building and improvements	(5,114,917)	(342,517)	111,135	(5,346,299)
Furniture and equipment	(2,750,178)	(865,244)	2,121	(3,613,301)
Vehicles	(1,118,304)	(164,774)	-	(1,283,078)
<b>Total accumulated depreciation</b>	<b>(9,483,580)</b>	<b>(1,546,432)</b>	<b>113,256</b>	<b>(10,916,756)</b>
<b>Total capital assets being depreciated, net</b>	<b>17,068,773</b>	<b>(1,110,031)</b>	<b>(88,014)</b>	<b>15,870,728</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 17,770,314</b>	<b>\$ (1,110,031)</b>	<b>\$ (90,219)</b>	<b>\$ 16,570,064</b>

Depreciation expense of \$1,546,432 was reported on the statement of activities as "unallocated depreciation" (i.e., not allocated to functions/programs).

# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

### D. Interfund receivables, payables and transfers

At June 30, 2008, interfund receivables and payables consisted of the following:

	<u>Due to</u>	<u>Due from</u>
General Fund	\$ 501,306	\$ 405,840
Special Education Fund	408,486	505,234
Vocational Education Fund	771,060	22,137
Vocational Education Capital Projects Fund	105	496,553
Nonmajor governmental funds	2,260	356,208
Internal Service Funds	<u>114,312</u>	<u>11,557</u>
	<b><u>\$ 1,797,529</u></b>	<b><u>\$ 1,797,529</u></b>

For the year ended June 30, 2008, interfund transfers consisted of the following:

	<u>Transfers out</u>	<u>Transfers in</u>
General Fund	\$ 287,036	\$ 3,005,878
Special Education Fund	2,829,771	200,833
Vocational Education Fund	3,302,699	-
Vocational Education Capital Projects Fund	-	2,000,000
Nonmajor governmental funds	<u>-</u>	<u>1,212,795</u>
	<b><u>\$ 6,419,506</u></b>	<b><u>\$ 6,419,506</u></b>

The District reports interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for the governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2008, the District transferred funds to provide funds for capital projects and to return surplus special education and vocational education funds to the General Fund.

# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

### E. Long-Term debt

Long-term debt and other obligations of the District at June 30, 2008, are summarized as follows:

	<b>Long-Term Debt Outstanding at July 1, 2007</b>	<b>Additions</b>	<b>Retirements</b>	<b>Long-Term Debt Outstanding at June 30, 2007</b>	<b>Amount Due Within One Year</b>
1998 Durant School Improvement Bonds, due in annual installments of \$96,682 to \$610,546 through the year 2013; interest at 4.8% *	\$ 1,025,762	\$ -	\$ -	\$ 1,025,762	\$ 96,682
Compensated absences	251,522	68,568	38,486	281,604	35,000
<b>Total Long-Term Debt</b>	<b>\$ 1,277,284</b>	<b>\$ 68,568</b>	<b>\$ 38,486</b>	<b>\$ 1,307,366</b>	<b>\$ 131,682</b>

- \* The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service. Bond payments were suspended for the years ended 2003, 2004, 2005, 2007 and 2008 and resume in 2009.

Compensated absences are generally liquidated by the General Fund, Special Education Fund, and the Vocational Education Fund.

Future principal and interest payment requirements on outstanding debt are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 96,682	\$ 25,314	\$ 121,996
2010	101,280	20,711	121,991
2011	106,104	15,888	121,992
2012	111,150	10,836	121,986
2013	610,546	209,099	819,645
<b>Total</b>	<b>\$ 1,025,762</b>	<b>\$ 281,848</b>	<b>\$ 1,307,610</b>



# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

---

### IV. OTHER INFORMATION

#### A. Risk management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The District limits its exposure to such claims by participating in the MASB/SET-SEG (risk pool).

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Premiums for the year ended June 30, 2008 were \$158,177.

#### B. Property taxes

Property taxes are assessed as of December 31 and attach as an enforceable lien on property as of July 1 of the following year. Taxes are levied on whose boundaries include property within the District and are due on September 15.

#### C. Defined benefit pension plan

##### *Plan Description*

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

##### *Funding Policy*

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Notes To Financial Statements

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The current rate is 16.72% of annual covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPSERS for the years ended June 30, 2008, 2007, and 2006, were \$2,978,778, \$3,064,063, and \$2,811,365, respectively, equal to the required contributions for each year.

### *Other Post Employment Benefits*

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

### **D. Commitments and Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those grantor agencies or intermediaries. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors or intermediaries cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

\* \* \* \* \*

# **Combining Fund Financial Statements**

Lenawee Intermediate School District  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008

	<u>Special Revenue</u>	<u>Capital Projects</u>		
	<u>Food Service</u>	<u>General Services</u>	<u>Special Education</u>	<u>Totals</u>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 496	\$2,080,822	\$1,687,501	\$3,768,819
Investments	-	-	1,081,428	1,081,428
Due from other funds	-	216,761	139,447	356,208
Accounts receivable	-	6,469	-	6,469
Prepaid items	1,764	-	-	1,764
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 2,260	\$2,304,052	\$2,908,376	\$5,214,688
	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 14,631	\$ 14,352	\$ 28,983
Due to other funds	2,260	-	-	2,260
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	2,260	14,631	14,352	31,243
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balances</b>				
Reserved for:				
Prepaid items	1,764	-	-	1,764
Unreserved, undesignated (deficit)	(1,764)	2,289,421	2,894,024	5,181,681
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	-	2,289,421	2,894,024	5,183,445
	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<u>\$ 2,260</u>	<u>\$2,304,052</u>	<u>\$2,908,376</u>	<u>\$5,214,688</u>

Lenawee Intermediate School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2008

	<u>Special Revenue</u>	<u>Capital Projects</u>		
	<u>Food Service</u>	<u>General Services</u>	<u>Special Education</u>	<u>Totals</u>
<b>Revenues</b>				
Local sources	\$ 588	\$ 115,795	\$ 74,617	\$ 191,000
Local district sources	-	35,190	-	35,190
State sources	-	-	-	-
Federal sources	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	588	150,985	74,617	226,190
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Supporting services	3,528	176,933	83,472	263,933
Operations and maintenance	-	286,999	322,251	609,250
Community services	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	3,528	463,932	405,723	873,183
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue under expenditures	(2,940)	(312,947)	(331,106)	(646,993)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources</b>				
Sale of capital assets	-	-	5,864	5,864
Transfers in	2,940	287,036	922,819	1,212,795
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources	2,940	287,036	928,683	1,218,659
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	(25,911)	597,577	571,666
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	-	2,315,332	2,296,447	4,611,779
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 2,289,421</u>	<u>\$ 2,894,024</u>	<u>\$ 5,183,445</u>

Lenawee Intermediate School District  
Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2008

	<b>Technology Fund</b>	<b>Cooperative Fund</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 437,723	\$ 349,434	\$ 787,157
Due from other funds	1,448	10,109	11,557
Accounts receivable	2,681	44,199	46,880
Prepaid expenses	49,397	-	49,397
Total assets	491,249	403,742	894,991
<b>Liabilities</b>			
Accounts payable	3,387	20,011	23,398
Accrued payroll and related liabilities	1	447	448
Due to other funds	4,036	110,276	114,312
Unearned revenue	54,819	44,846	99,665
Total liabilities	62,243	175,580	237,823
<b>Net assets</b>			
Unrestricted	\$ 429,006	\$ 228,162	\$ 657,168

Lenawee Intermediate School District  
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2008

	<b>Technology Fund</b>	<b>Cooperative Fund</b>	<b>Totals</b>
<b>Operating revenues</b>			
Charges for services	\$ 1,021,331	\$ 513,287	\$ 1,534,618
<b>Operating expenses</b>			
Supporting services	936,538	486,337	1,422,875
Operations and maintenance	8,827	16,819	25,646
Community services	-	14,674	14,674
Total operating expenses	945,365	517,830	1,463,195
Operating income (loss)	75,966	(4,543)	71,423
<b>Nonoperating revenue</b>			
Interest revenue	11,401	9,738	21,139
Net income	87,367	5,195	92,562
Net assets, beginning of year	341,639	222,967	564,606
<b>Net assets, end of year</b>	<u>\$ 429,006</u>	<u>\$ 228,162</u>	<u>\$ 657,168</u>

Lenawee Intermediate School District  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2008

	<b>Technology Fund</b>	<b>Cooperative Fund</b>	<b>Totals</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 928,110	\$ 521,807	\$ 1,449,917
Cash received from interfund services	119,744	28,755	148,499
Cash payments for goods and services	(1,040,302)	(319,495)	(1,359,797)
Cash payments to employees	(66,687)	(184,996)	(251,683)
	<hr/>	<hr/>	<hr/>
Net cash used in operating activities	(59,135)	46,071	(13,064)
	<hr/>	<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Interest received	11,401	9,738	21,139
	<hr/>	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(47,734)	55,809	8,075
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents, beginning of year	485,457	293,625	779,082
	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 437,723</u></u>	<u><u>\$ 349,434</u></u>	<u><u>\$ 787,157</u></u>
	<hr/>	<hr/>	<hr/>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 75,966	\$ (4,543)	\$ 71,423
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Change in:			
Due from other funds	12,895	9,092	21,987
Accounts receivable	4,603	(2,740)	1,863
Prepaid expenses	(48,438)	-	(48,438)
Accounts payable	(113,186)	13,208	(99,978)
Accrued payroll and related liabilities	-	131	131
Due to other funds	(1,011)	19,663	18,652
Unearned revenue	10,036	11,260	21,296
	<hr/>	<hr/>	<hr/>
Net cash provided by (used in) operating activities	<u><u>\$ (59,135)</u></u>	<u><u>\$ 46,071</u></u>	<u><u>\$ (13,064)</u></u>



## **Single Audit**

**Lenawee Intermediate School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>CFDA Number</b>	<b>Pass- Through Grantor's Number</b>	<b>Approved Award/ Grant Amount</b>	<b>Accrued Revenue, Beginning of Year</b>	<b>Current Year Receipts</b>	<b>Current Year Expenditures</b>	<b>Accrued (Deferred) Revenue, End of Year</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>							
Passed-through Michigan Department of Education: Safe and Drug-Free Schools and Communities	84.186	072860-0607		\$ 227	\$ 227	\$ -	\$ -
2006-08 Preschool Incentive	84.173	070460-0607	104,961	21,424	55,370	33,946	-
2007-09 Preschool Incentive	84.173	080460-0708	105,034	-	34,309	36,959	2,650
				<u>21,424</u>	<u>89,679</u>	<u>70,905</u>	<u>2,650</u>
2006-08 Infant and Toddler	84.181	071340-190	117,781	11,788	27,116	19,970	4,642
2007-09 Infant and Toddler	84.181	081340-190	126,727	-	87,616	95,202	7,586
				<u>11,788</u>	<u>114,732</u>	<u>115,172</u>	<u>12,228</u>
2007-08 Title V	84.298	070250-0607	1,004	-	1,004	1,004	-
2007-2008 Improving Teacher Quality	84.367	080520-0708	1,238	-	1,238	1,238	-
2006-07 Title I	84.010	061700-0607	186,329	59,752	106,312	46,560	-
2006-07 Title I	84.010	071700-0607	17,785	-	17,786	17,786	-
2007-08 Title I	84.010	081700-0607	220,600	-	78,553	133,893	55,340
2006-07 Title I, Part D	84.013	071700-0607	64,251	27,549	27,549	-	-
2007-08 Title I, Part D	84.013	081700-0708	132,692	-	40,722	54,872	14,150
				<u>87,301</u>	<u>270,922</u>	<u>253,111</u>	<u>69,490</u>
Passed through Hillsdale Intermediate School District:							
2006-07 Perkins Allocation	84.048A	3822	194,616	57,170	57,170	-	-
2007-08 Perkins Allocation	84.048A	3822	194,597	-	176,000	194,597	18,597
				<u>57,170</u>	<u>233,170</u>	<u>194,597</u>	<u>18,597</u>
2006-07 Tech Prep	84.243A	5521-40	30,906	14,296	14,296	-	-
2007-08 Tech Prep	84.243A	5521-40	33,363	-	23,504	33,363	9,859
				<u>14,296</u>	<u>37,800</u>	<u>33,363</u>	<u>9,859</u>
2006-08 IDEA Flowthrough	84.027	070450-0607	3,588,655	989,929	1,044,957	84,644	29,616
2007-09 IDEA Flowthrough	84.027	080450-0708	3,630,302	-	2,745,763	3,311,600	565,837
2006-07 State Initiated	84.027	070480-EOSD	50,000	9,978	9,978	-	-
2007-08 State Initiated	84.027	080480-EOSD	50,000	-	50,000	50,000	-
2006-07 State Initiated	84.027	070490-TS	90,000	14,984	14,984	-	-
2007-08 State Initiated	84.027	080490-TS	70,000	-	57,408	70,000	12,592
				<u>1,014,891</u>	<u>3,923,090</u>	<u>3,516,244</u>	<u>608,045</u>
Total U.S. Department of Education				<u>1,207,097</u>	<u>4,671,862</u>	<u>4,185,634</u>	<u>720,869</u>

continued...

**Lenawee Intermediate School District**  
**Schedule of Expenditures of Federal Awards (Concluded)**  
**For the Year Ended June 30, 2008**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>CFDA Number</b>	<b>Pass- Through Grantor's Number</b>	<b>Approved Award/ Grant Amount</b>	<b>Accrued Revenue, Beginning of Year</b>	<b>Current Year Receipts</b>	<b>Current Year Expenditures</b>	<b>Accrued (Deferred) Revenue, End of Year</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
Direct program:							
2005-08 Nursing Workforce	93.178		692,385	\$ 127,500	\$ 127,500	\$ -	\$ -
2005-08 Nursing Workforce	93.178		692,385	-	18,651	257,886	239,235
				<u>127,500</u>	<u>146,151</u>	<u>257,886</u>	<u>239,235</u>
Passed through Michigan Family Independence Agency:							
2006-2007 Strong Families	93.556		50,000	20,700	20,925	225	-
2007-2008 Strong Families	93.556		50,000	-	50,000	50,000	-
				<u>20,700</u>	<u>70,925</u>	<u>50,225</u>	<u>-</u>
Passed through State of Michigan Department of Community Health:							
Medicaid	93.778		81,654	-	102,067	102,067	-
Passed through ACYF/Child Care Bureau:							
2006-2008 CHILD	93.577	90L017601	715,959	156,973	282,972	125,999	-
Total U.S. Department of Health and Human Services				<u>305,173</u>	<u>602,115</u>	<u>536,177</u>	<u>239,235</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 1,512,270</u>	<u>\$ 5,273,977</u>	<u>\$ 4,721,811</u>	<u>\$ 960,104</u>

1. Expenditures in this schedule are in agreement with amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education.
2. The amounts reported on the R7120 (Grants Section Auditor's Report) reconcile with this schedule.

# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Notes to Schedule of Expenditures of Federal Awards

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### 1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Lenawee Intermediate School District (the "District"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The amounts presented in this schedule agree or reconcile to the amounts presented in, or used in the preparation of, the financial statements, and the financial reports filed with the Michigan Department of Education.

The District's reporting entity is defined in Note I of the District's financial statements. The District administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the District's reporting entity. Of the federal expenditures presented in the schedule, the District provided federal awards to subrecipients as follows:

<b><u>Program Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Amount Provided to Subrecipients</u></b>
IDEA Flowthrough	84.027	\$ 15,084
Early Learning Fund	93.577	45,526
Medicaid Outreach	93.778	<u>87,648</u>
<b>Total</b>		<b><u>\$ 148,258</u></b>

### 2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is described in Note I of the District's financial statements.

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

November 6, 2008

Board of Education  
Lenawee Intermediate School District  
Adrian, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Lenawee Intermediate School District*, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lenawee Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. Our report did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lenawee Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Lenawee Intermediate School District in a separate letter dated November 6, 2008.

This report is intended solely for the information and use of the Board of Education, management, others in the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

November 6, 2008

Board of Education  
Lenawee Intermediate School District  
Adrian, Michigan

### **Compliance**

We have audited the compliance of the ***Lenawee Intermediate School District*** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-1.

### **Internal Control Over Compliance**

The management of Lenawee Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lenawee Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We did not consider the findings referred to above to be material weaknesses.

Lenawee Intermediate School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Lenawee Intermediate School District's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Education, management, others in the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes    X no

Significant deficiencies identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes    X none reported

Noncompliance material to financial statements  
noted?

\_\_\_\_\_ yes    X no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes    X no

Significant deficiencies identified  
not considered to be material weaknesses?

X yes    \_\_\_\_\_ none reported

Type of auditors' report issued on compliance  
for major programs:

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?

X yes    \_\_\_\_\_ no

# LENAWEE INTERMEDIATE SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2008

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### SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u>X</u> yes <u>    </u> no

### SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

### SECTION III – FEDERAL AWARD FINDING AND QUESTIONED COSTS

#### Finding 2008-1 Allocation and Certification of Payroll Expenditures

**Program:** CFDA 84.027 & 84.173 – Special Education Cluster

**Criteria:** Office of Management and Budget Circular No. A-87, Cost Principles for State, Local, and Indian Tribal Governments, requires that when employees work on multiple activities, the distribution of their salaries or wages must be supported by personnel activity reports or a statistical sampling system that has been approved by the cognizant Federal agency. The Circular also requires that where employees are expected to work solely on a single federal award, charges for their salaries must be supported by at least semi-annual certifications that they worked solely on that program for the period covered by the certification.

**Condition:** During the year ended June 30, 2008, multiple employees did not complete, sign or date the semi-annual certifications.

**Cause:** Due to a change in the allocation of expenses related to the Special Education Cluster, the District thought it no longer had to complete semi-annual certifications.

**Effect:** This condition increases the risk that the District could report an incorrect amount for expenditures related to federal grant programs

# **LENAWEE INTERMEDIATE SCHOOL DISTRICT**

## **Schedule of Findings and Questioned Costs (Concluded)**

**For the Year Ended June 30, 2008**

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### **SECTION III – FEDERAL AWARD FINDING AND QUESTIONED COSTS (Concluded)**

#### **Finding 2008-1 Allocation and Certification of Payroll Expenditures (Concluded)**

**Program:** CFDA 84.027 & 84.173 – Special Education Cluster

**View of**

**Responsible**

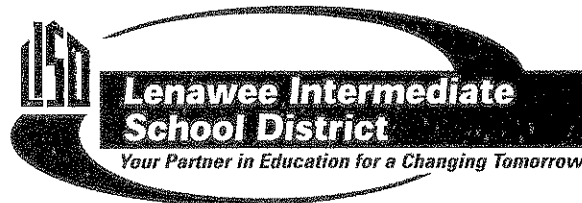
**Officials:** The District will implement mandatory completion of the appropriate forms

### **SECTION IV – PRIOR YEAR FINDINGS**

#### **2007-2 Subrecipient Monitoring**

This finding was adequately resolved for the current year

\* \* \* \* \*



November 11, 2008

The Rehmann Group  
675 Robinson Road  
Jackson, MI 49203

**RE: SECTION III-Federal Award Finding and Questioned Costs**

To Whom It May Concern:

The Lenawee Intermediate School District's response to the SECTION III- Federal Award Finding and Questioned Costs for the year ended June 30, 2008 is that the district will implement mandatory completion of the appropriate forms for the 2008-09 fiscal year.

Sincerely,

Theresa Soto  
Executive Director of Finance/Business Services



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



November 6, 2008

To the Board of Education of  
Lenawee Intermediate School District

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Lenawee Intermediate School District* (the "District") for the year ended June 30, 2008, and have issued our report thereon dated November 6, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated July 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the *District's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the *District's* compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the *District's* compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the *District's* compliance with those requirements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 16, 2008.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the *District* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties, significant or otherwise, in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed no adjusting journal entries.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 6, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the *Lenawee Intermediate School District* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Lohman". The signature is written in a cursive, flowing style.

# **Lenawee Intermediate School District**

## **Comments and Recommendations**

**For the Year Ended June 30, 2008**

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In planning and performing our audit of the financial statements of the Lenawee Intermediate School District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

### **Other Matters**

#### **Internal Controls – Segregation of Duties**

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the District's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.



# **Lenawee Intermediate School District**

## **Comments and Recommendations (Concluded)**

**For the Year Ended June 30, 2008**

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Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse.

As stated previously, the establishing and maintaining of internal controls is the responsibility of management. As the District's independent external auditors, we are specifically banned by professional standards from performing any management functions. In other words, the annual audit is not a part of the District's internal control structure, and cannot not be relied upon as part of *management's* systems to deter or detect fraud and abuse.

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

The following areas were noted for improvement during the current year's audit:

*Payroll.* Currently, there is no formal review of the payroll register by someone other than the payroll clerk before payroll checks are issued. We recommend that the reviewer of the payroll register initial and date the register of each current pay before payroll is finalized in order to enhance the internal controls in this area.

*New vendor approval.* New vendor requests are directed to the Accounts payable clerk, who then sets up the new vendor in the financial software system. Each new vendor is logged onto a new vendor listing. However, this new vendor listing is not approved by any other person. In order to enhance the internal controls in this area, we recommend that someone independent of the accounts payable clerk approve the new vendors, and document this approval by initialing and dating.

### **Moveable Assets**

Periodic counts of moveable capital assets is a key element of capital asset management. We noted during testing that periodic inventories of moveable assets is not being performed. We suggest that the District implement periodic inventory procedures for moveable assets, in order to assure that the underlying detail asset records are physically counted.

FORM **SF-SAC**  
(8-6-2008)U.S. DEPT. OF COMM.— Econ. and Stat. Admin.— U.S. CENSUS BUREAU  
ACTING AS COLLECTING AGENT FOR  
OFFICE OF MANAGEMENT AND BUDGET**Data Collection Form for Reporting on  
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS  
for Fiscal Year Ending Dates in 2008, 2009, or 2010**

▶ Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**PART 1****GENERAL INFORMATION (To be completed by auditee, except for Items 6, 7, and 8)****1. Fiscal period ending date for this submission**

Month	Day	Year
06	30	2008

**2. Type of Circular A-133 audit**

- 1 ☒ Single audit  
2 ☐ Program-specific audit

**3. Audit period covered**

- 1 ☒ Annual 3 ☐ Other —  Months  
2 ☐ Biennial

**4. Auditee Identification Numbers****a. Primary Employer Identification Number (EIN)**

3	8	—	1	7	1	3	0	2	1
---	---	---	---	---	---	---	---	---	---

**b. Are multiple EINs covered in this report?** 1 ☐ Yes 2 ☒ No**c. If Part I, Item 4b = "Yes," complete Part I, Item 4c on the continuation sheet on Page 4.****d. Data Universal Numbering System (DUNS) Number**

0	3	—	8	7	0	—	5	7	9	4
---	---	---	---	---	---	---	---	---	---	---

**e. Are multiple DUNS covered in this report?** 1 ☐ Yes 2 ☒ No**f. If Part I, Item 4e = "Yes," complete Part I, Item 4f on the continuation sheet on Page 4.****5. AUDITEE INFORMATION****a. Auditee name**

LENAWEE INTERMEDIATE SCHOOL DISTRICT

**b. Auditee address (Number and street)**

4107 N. ADRIAN HWY

City

ADRIAN

State

MI

ZIP + 4 Code

4 9 2 2 1 —

**c. Auditee contact**

Name

THERESA SOTO

Title

DIRECTOR OF FINANCE/BUSINESS SERVICES

**d. Auditee contact telephone**

(517) 265 — 1640

**e. Auditee contact FAX**

(517) 265 — 7405

**f. Auditee contact E-mail**

THERESA.SOTO@LISD.US

**g. AUDITEE CERTIFICATION STATEMENT** — This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Auditee certification

Date

**ELECTRONICALLY CERTIFIED****11/14/2008**

Name of certifying official

**THERESA SOTO**

Title of certifying official

**EXEC DIRECTOR OF FINANCE/BUSINESS SERVICES****6. PRIMARY AUDITOR INFORMATION***(To be completed by auditor)***a. Primary auditor name**

REHMANN ROBSON

**b. Primary auditor address (Number and street)**

675 ROBINSON RD

City

JACKSON

State

MI

ZIP + 4 Code

4 9 2 0 3 —

**c. Primary auditor contact**

Name

DAVE FISHER, CPA

Title

PRINCIPAL

**d. Primary auditor contact telephone**

(517) 787 — 6503

**e. Primary auditor contact FAX**

(517) 788 — 8111

**f. Primary auditor contact E-mail**

DAVE.FISHER@REHMANN.COM

**g. AUDITOR STATEMENT** — The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and **is not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

**7a. Add Secondary auditor information? (Optional)**

- 1 ☐ Yes 2 ☒ No

**b. If "Yes," complete Part I, Item 8 on the continuation sheet on page 5.**

Auditor certification

Date

**ELECTRONICALLY CERTIFIED****11/13/2008**

**PART II****FINANCIAL STATEMENTS (To be completed by auditor)****1. Type of audit report**

Mark either: 1 ☒ Unqualified opinion **OR**  
any combination of: 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion

**2. Is a "going concern" explanatory paragraph included in the audit report?**1 ☐ Yes 2 ☒ No**3. Is a significant deficiency disclosed?**1 ☐ Yes 2 ☒ No – SKIP to Item 5**4. Is any significant deficiency reported as a material weakness?**1 ☐ Yes 2 ☐ No**5. Is a material noncompliance disclosed?**1 ☐ Yes 2 ☒ No**PART III****FEDERAL PROGRAMS (To be completed by auditor)****1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12)**1 ☐ Yes 2 ☒ No**2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))**

\$ 300,000

**3. Did the auditee qualify as a low-risk auditee? (§ .530)**1 ☒ Yes 2 ☐ No**4. Is a significant deficiency disclosed for any major program? (§ .510(a)(1))**1 ☒ Yes 2 ☐ No –SKIP to Item 6**5. Is any significant deficiency reported for any major program as a material weakness? (§ .510(a)(1))**1 ☐ Yes 2 ☒ No**6. Are any known questioned costs reported? (§ .510(a)(3) or (4))**1 ☐ Yes 2 ☒ No**7. Were Prior Audit Findings related to direct funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b))**1 ☐ Yes 2 ☒ No**8. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. (Mark (X) all that apply or None)**98 ☐ U.S. Agency for International Development10 ☐ Agriculture23 ☐ Appalachian Regional Commission11 ☐ Commerce94 ☐ Corporation for National and Community Service12 ☐ Defense84 ☐ Education81 ☐ Energy66 ☐ Environmental Protection Agency39 ☐ General Services Administration93 ☐ Health and Human Services97 ☐ Homeland Security14 ☐ Housing and Urban Development03 ☐ Institute of Museum and Library Services15 ☐ Interior16 ☐ Justice17 ☐ Labor09 ☐ Legal Services Corporation43 ☐ National Aeronautics and Space Administration89 ☐ National Archives and Records Administration05 ☐ National Endowment for the Arts06 ☐ National Endowment for the Humanities47 ☐ National Science Foundation07 ☐ Office of National Drug Control Policy59 ☐ Small Business Administration96 ☐ Social Security Administration19 ☐ U.S. Department of State20 ☐ Transportation21 ☐ Treasury64 ☐ Veterans Affairs00 ☒ None☐ Other – Specify:

**PART III FEDERAL PROGRAMS - Continued**

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				10. AUDIT FINDINGS				
CFDA Number	Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program (g)	If yes, type of audit report (h)	Type(s) of compliance requirement(s) (a)	Audit finding reference number(s) (b)
Federal Agency Prefix1 (a)	Extension 2 (b)							
8 4 .027	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SPECIAL EDUCATION GRANTS TO STATES	\$ 3,516,244 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	AB	2008-1
8 4 .010	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	\$ 198,239 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4 .048	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	CAREER AND TECHNICAL EDUCATION -- BASIC GRANTS TO STATES	\$ 194,597 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4 .173	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SPECIAL EDUCATION PRESCHOOL GRANTS	\$ 70,905 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	AB	2008-1
8 4 .181	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SPECIAL EDUCATION GRANTS FOR INFANTS AND FAMILIES	\$ 115,172 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4 .298	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	STATE GRANTS FOR INNOVATIVE PROGRAMS	\$ 1,004 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4 .367	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	IMPROVING TEACHER QUALITY STATE GRANTS	\$ 1,238 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4 .243	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TECH-PREP EDUCATION	\$ 33,363 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4 .013	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE I PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN	\$ 54,872 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
9 3 .178	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NURSING WORKFORCE DIVERSITY	\$ 257,886 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			\$ 4,721,811 .00					

<sup>1</sup> See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.

<sup>2</sup> Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)

<sup>3</sup> If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.

<sup>4</sup> Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

- <sup>5</sup> N/A for NONE
- |                                    |  |  |                                 |
|------------------------------------|--|--|---------------------------------|
| A. Activities allowed or unallowed | E. Eligibility                             | I. Procurement and suspension and debarment            | L. Reporting                    |
| B. Allowable costs/cost principles | F. Equipment and real property management  | J. Program income                                      | M. Subrecipient monitoring      |
| C. Cash management                 | G. Matching, level of effort, earmarking   | K. Real property acquisition and relocation assistance | N. Special tests and provisions |
| D. Davis - Bacon Act               | H. Period of availability of Federal funds |  | O. None                         |
|                                    |  |  | P. Other                        |

**PART III FEDERAL PROGRAMS - Continued**

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				10. AUDIT FINDINGS			
CFDA Number	Research and development	Name of Federal program	Amount expended	Direct award	Major program	Type(s) of compliance requirement(s)	Audit finding reference number(s)
Federal Agency Prefix1 (a)	Extension 2 (b)	(c)	(d)	(e)	(f)	(g)	(h)
9 3 .556	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	PROMOTING SAFE AND STABLE FAMILIES	\$ 50,225 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
9 3 .577	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	EARLY LEARNING FUND	\$ 125,999 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
9 3 .778	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	MEDICAL ASSISTANCE PROGRAM	\$ 102,067 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
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	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$ .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$ .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$ .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$ .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$ .00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No</						

PART I Item 5 Continuation Sheet

c. List the multiple Employer Identification Numbers (EINs) covered in this report.

f. List the multiple DUNS covered in the report.

1	N / A	21				41				1	N / A	21							
2		22				42				2		22							
3		23				43				3		23							
4		24				44				4		24							
5		25				45				5		25							
6		26				46				6		26							
7		27				47				7		27							
8		28				48				8		28							
9		29				49				9		29							
10		30				50				10		30							
11		31				51				11		31							
12		32				52				12		32							
13		33				53				13		33							
14		34				54				14		34							
15		35				55				15		35							
16		36				56				16		36							
17		37				57				17		37							
18		38				58				18		38							
19		39				59				19		39							
20		40				60				20		40							

**PART I GENERAL INFORMATION - Continued**

**8. Part I, Item 8, Secondary Auditor's Contact Information. (List the Secondary Auditor's Contact information)**

<b>1. a. Secondary Auditor name</b> <b>N / A</b>		<b>2. a. Secondary Auditor name</b>		<b>3. a. Secondary Auditor name</b>	
<b>b. Secondary Auditor address (Number and street)</b>		<b>b. Secondary Auditor address (Number and street)</b>		<b>b. Secondary Auditor address (Number and street)</b>	
City		City		City	
State ZIP + 4 Code		State ZIP + 4 Code		State ZIP + 4 Code	
<b>c. Secondary Auditor contact</b> Name Title		<b>c. Secondary Auditor contact</b> Name Title		<b>c. Secondary Auditor contact</b> Name Title	
<b>d. Secondary Auditor contact telephone</b>		<b>d. Secondary Auditor contact telephone</b>		<b>d. Secondary Auditor contact telephone</b>	
<b>e. Secondary Auditor contact FAX</b>		<b>e. Secondary Auditor contact FAX</b>		<b>e. Secondary Auditor contact FAX</b>	
<b>f. Secondary Auditor contact E-mail</b>		<b>f. Secondary Auditor contact E-mail</b>		<b>f. Secondary Auditor contact E-mail</b>	
<b>4. a. Secondary Auditor name</b>		<b>5. a. Secondary Auditor name</b>		<b>6. a. Secondary Auditor name</b>	
<b>b. Secondary Auditor address (Number and street)</b>		<b>b. Secondary Auditor address (Number and street)</b>		<b>b. Secondary Auditor address (Number and street)</b>	
City		City		City	
State ZIP + 4 Code		State ZIP + 4 Code		State ZIP + 4 Code	
<b>c. Secondary Auditor contact</b> Name		<b>c. Secondary Auditor contact</b> Name		<b>c. Secondary Auditor contact</b> Name	
Title		Title		Title	
<b>d. Secondary Auditor contact telephone</b>		<b>d. Secondary Auditor contact telephone</b>		<b>d. Secondary Auditor contact telephone</b>	
<b>e. Secondary Auditor contact FAX</b>		<b>e. Secondary Auditor contact FAX</b>		<b>e. Secondary Auditor contact FAX</b>	
<b>f. Secondary Auditor contact E-mail</b>		<b>f. Secondary Auditor contact E-mail</b>		<b>f. Secondary Auditor contact E-mail</b>	